

ORIGINAL



0000087915

Sheila Stoeller

From: Sheila Stoeller on behalf of Mayes-WebEmail
Sent: Wednesday, August 20, 2008 10:59 AM
To: 'Jerome Reid'
Cc: Kristin Mayes
Subject: RE: Docket No. W-02824A-07-0388; ICR Water Users Association

Tracking: Recipient Delivery

'Jerome Reid'

Kristin Mayes Delivered: 8/20/2008 10:59 AM

Mr. Reid,

I can't speak for the other commissioners' offices re docketing your letter. I can only assume that it was inadvertently overlooked due to volume of mail. I am docketing your mail to us of this morning, including your longer letter.

Sheila Stoeller
Executive Aide to
Commissioner Kris Mayes
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007
602.542.4143
sstoeller@azcc.gov

Arizona Corporation Commission

DOCKETED

AUG 20 2008

DOCKETED BY

mn

AZ CORP COMMISSION
DOCKET CONTROL

2008 AUG 20 P 4: 08

RECEIVED

From: Jerome Reid [REDACTED]
Sent: Wednesday, August 20, 2008 9:01 AM
To: Mayes-WebEmail
Subject: FW: Docket No. W-02824A-07-0388; ICR Water Users Association

Good morning,

It was brought to my attention that I failed to include you on the distribution for this communication (I inadvertently listed Commissioner Mundell twice). Please accept my apology . . . the oversight was unintentional.

I am curious why this communication has yet to be docketed, while others sent later appear on the e-docket. If someone there could explain this I would appreciate it. Thanks.

Regards,

Jerome "Skip" Reid

[REDACTED]
Prescott, AZ 86305

8/20/2008

From: Jerome Reid [REDACTED]
Sent: Wednesday, August 13, 2008 6:48 PM
To: 'gleason-web@azcc.gov'; 'mundell-web@azcc.gov'; 'mundell-web@azcc.gov'; 'hatch-web@azcc.gov'; 'pierce-web@azcc.gov'
Cc: Jimmy Stoner; Chris Stoner
Subject: Docket No. W-02824A-07-0388; ICR Water Users Association

Chairman Gleason and Commissioners Mayes, Mundell, Hatch-Miller, and Pierce:

The purpose of this email is to follow up our July 25 email to the Commission with suggested changes to the ICR Water Users Association ("ICRWUA" or "Company") articles of incorporation and bylaws to achieve fair and reasonable management of the Company by a Board of Directors ("Board") who are actual residents of the service area and who constitute proportional representation of the communities within the service area. In the July 25 email we proposed 3 alternative solutions to the outstanding issues in this rate case, including compliance with Decision 64360. We proposed these alternative solutions because currently the Company's Board is essentially negotiating with itself by virtue of the fact that the Board is controlled by Talking Rock Ranch ("TRR") residents and lot owners and they are negotiating with Harvard Investments, the developer of TRR. As one might expect in these circumstances, the only "solution" yet produced by this process is extremely favorable to Harvard Investments and unacceptable to the residential communities served. Furthermore, the Board is failing in a profound way to fulfill its fiduciary duty to the owner/residents, i.e., the Board is not representing the interests of all the owner/residents. It is currently in negotiations with only one of the other 3 parties to this rate case (intentionally excluding the intervenor Mr. Dayne Taylor), in clear contravention of Judge Stern's admonition that all 4 parties must agree to any settlement.

The current corporate organization and governance of the Company is based on articles and bylaws adopted on October 24, 1994 by the original Company Board of Directors, Inscription Canyon Ranch ("ICR") developer, Swayze McCrain ("SM"), Katherine McCrain (wife), and William Gary (father-in-law). Those documents were adapted from another SM development (Granite Oaks), which did not and does not have the issues this Company faces, i.e., two separate water systems (that cannot be connected), with one serving residential customers and the other serving a gated, residential community with a private golf course.

These bylaws have been amended 5 times, most recently December 27, 2007 to conform the bylaws to Internal Revenue Service requirements for 501c(12) non-profit organizations. The Company Board is now made up of 5 Directors: two are resident in TRR; one is a developer/builder in TRR who does not live in the Company service area; one is a long time Director resident in Inscription Canyon Ranch ("ICR") with a clear bias in favor of TRR; and, one is a resident of ICR.

We propose that the Company's articles of incorporation be amended to provide for a 7 member Board. We also propose that the Company bylaws be changed to provide for the election of the 7 Board members from among the communities served based on the number of owner/residents in each community. For example, if a community has 65 of the 100 total owner/residents in the entire service area, that community would be allocated 4 of the 7 Director positions. A Board member candidate would have to qualify as an owner/resident, which would be defined as any person whose legal domicile is their property in the Company service area. This would preclude the current situation of a Board member owning property in TRR, but being domiciled outside the Company service area.

8/20/2008

Alternative Solution #1 in our July 25 email would require that the Main Extension Agreement be declared null and void. In the case of Alternative Solutions #2 and #3, there would be a single company with two separate water systems and 2 separate tariff structures. In these cases, we propose that the corporate governance documents provide for two permanent subcommittees of the Board, one to manage the water system on the east side of Williamson Valley Road (TRR; ADEQ #13-263) and the other to manage the water system on the west side of Williamson Valley Road (ICR, Whispering Canyon, & the Preserve; ADEQ #13-303). Each of these subcommittees would be headed by a Board member domiciled in the service area managed by that subcommittee and the entire Board would be responsible for reviewing and approving the reports and recommendations of each permanent subcommittee, including the financial data and rate base calculations.

We believe these changes would correct a lot of the difficulties and problems currently being encountered by the Company in this rate case. We feel compelled to make these proposals to you because the current Company Board is not acting in the best interests of all the residents. In our opinion we believe the delaying tactics currently being engaged in by the Board have placed the Company in a position of insolvency and continue to jeopardize the Company's financial position. These tactics appear only to serve the financial interests of Harvard Investments in its desire to carry on "business as usual".

We plead with the Commission to expedite the resolution of the issues in this case to protect the interests of those who purchased a home in the Company service area in partial reliance on the seller's representation that there is a 100 year proven water supply for the service area. If the golf course is permitted to continue pumping 130+ million gallons of ground water per year to irrigate a private golf course with minimal use, the 100 year water supply representation becomes questionable. Bringing this rate case to a fair and reasonable resolution would likely be aided by the Commission holding a public hearing or community meeting in Prescott, which would allow the Commissioners to hear from the community on the issues presented in this rate case.

Respectfully submitted,

Jerome Reid
[REDACTED]

Prescott, AZ 86305
[REDACTED]

Chris & Jimmy Stoner
[REDACTED]

Prescott, AZ 86305
[REDACTED]